ANNUAL REPORT 1968

TRIBAG

MINING CO., LIMITED

HIGHLIGHTS

- First full year of production
- Mine Operating profit $712,155
- Discovery of high-grade ore in West Breccia

DIRECTORS

C. H. FRANKLIN, Toronto, Ontario
President, Minaco Equipment Limited,
Algonquin Building Credits Limited
Director, Vascan Limited,
Nigadoo River Mines Limited
Hardee Farms Limited and other companies.

E. R. HEALD, Toronto, Ontario
President, Sladen (Quebec) Limited

N. B. KEEVIL, M.Sc., Ph.D., Port Credit, Ontario
President, Teck Corporation Limited, Copperfields Mining Corporation Limited and other companies

N. B. KEEVIL Jr., M.Sc., Ph.D., P.Eng.,
Toronto, Ontario
Vice-President, Teck Corporation Limited

J. H. WESTELL, Islington, Ontario
Vice-President, Keevil Mining Group Limited
Treasurer, Teck Corporation Limited and other associated companies.

OFFICERS

N. B. KEEVIL, *President*
N. B. KEEVIL Jr., *Vice-President*
J. A. S. GIBSON, *Secretary*
J. H. WESTELL, *Treasurer*

HEAD OFFICE	Suite 4900, P.O. Box 49, Toronto-Dominion Centre Toronto 1, Ontario
MINE MANAGER	A. Mitchell
MINE OFFICE	Batchawana Bay, Ontario
TRANSFER AGENT	CROWN TRUST COMPANY, Toronto, Ontario
AUDITORS	McDONALD CURRIE & Co., Toronto, Ontario
SHARES LISTED	THE TORONTO STOCK EXCHANGE

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PRESIDENT'S LETTER

To the Shareholders:

We are pleased to present the annual report for 1968, the first full year of production from your company's mine at Batchawana, Ontario. Despite a certain amount of necessary advance development and breaking in problems related to the large blast hole stope, operating profit was most satisfactory at 18.6¢ per share. Exploratory drilling resumed in the area of the "West" breccia pipe and was successful in indicating two additional ore zones.

FINANCIAL

Mine operating profit during the first full year of production from the Batchawana mine was $712,155 or 18.6¢ per share. Gross smelter revenue was $2,913,389, operating expense $1,608,613 and smelter, freight and marketing charges were $592,621.

Bank and debenture interest of $150,106 was paid leaving net cash earnings of $562,236 or 14.7¢ per share. After non-cash writeoffs for depreciation and deferred development of $470,246, net profit was $91,990. The mine is exempt from federal taxation until July 1, 1970 but paid $13,730 in provincial taxes during the year. Working capital increased by $291,626 to $156,205, and the bank loan was reduced by $357,800 to $492,200 at the year end.

The average price received in smelter shipments was 50.4¢ per pound, compared with 54.1¢ for the eight months of 1968. Since the year end a more favourable basis for pricing has been arranged with Noranda, and the major portion of Tribag's copper is now settled on the London Metal Exchange average price. In recent months this has averaged approximately 64¢, or 15½¢ per pound above the domestic price.

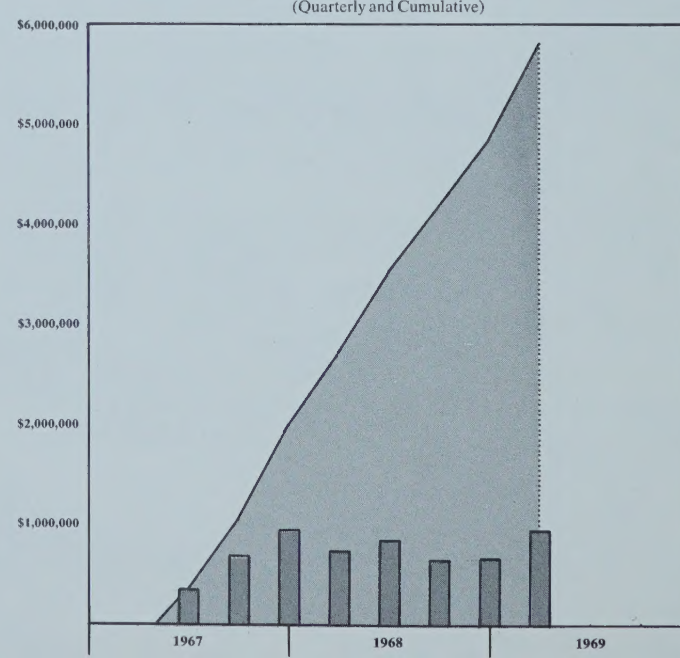
OPERATIONS

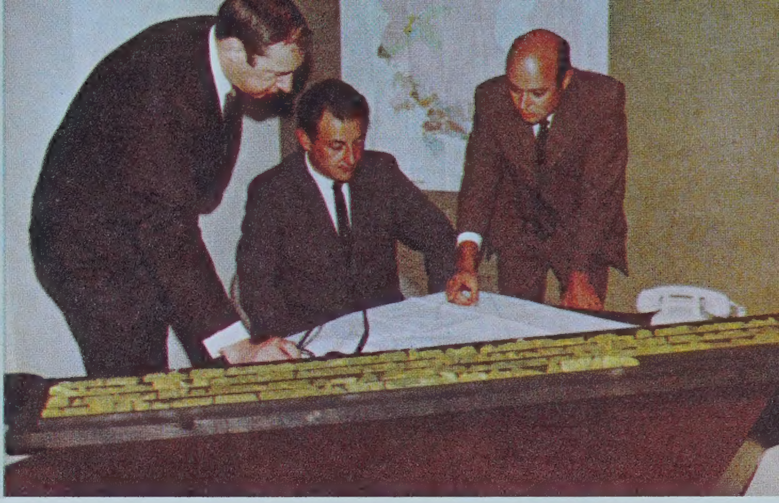
Copper production for the year was 5,562,840 pounds after milling of 157,787 tons grading 1.82% copper. The mill operated satisfactorily throughout the year with recovery averaging 97.9%, and with a concentrate grade of 31.64% copper.

Shrinkage stoping provided the major portion of mill feed, but by year end the blast hole stope was making a substantial contribution. Some difficulty was encountered with fragmentation in the initial blasts but the problems of ore handling have been solved and the blast hole stope is producing at a satisfactory rate.

Operating costs were higher due primarily to the large increase in broken reserves required in shrinkage stoping and the devel-

GROSS VALUE OF PRODUCTION
(Quarterly and Cumulative)





Right to left: N. B. Keevil Jr., Vice-President, R. E. Hallbauer, General Manager, and J. L. May, President of Geophysical Engineering & Surveys Limited, examine discovery core from West Breccia, which assayed 21.3% copper over 19.1 feet.

opment required for the blast hole stope. At year end broken reserves were 90,646 tons.

COMPARATIVE MINE OPERATING COSTS

	1968 Total	1968 Cost/ton Milled	1967 Total	1967 Cost/ton Milled
Exploration and development	**\$ 145,018**	**\$0.92**	\$ 92,489	\$0.92
Mining	**778,329**	**4.92**	441,356	4.40
Milling	**212,676**	**1.35**	147,229	1.47
General expense at property	**373,348**	**2.36**	215,287	2.14
Totals	**\$1,509,371**	**\$9.55**	\$896,361	\$8.93

The increase in unit cost is due primarily to the large increase in broken reserves necessary for shrinkage stoping and the inventory of long-hole drilling in the blast hole stope. On the cost per ton broken basis, costs in 1968 are \$6.65 per ton broken compared to \$8.20 per ton broken in 1967.

ORE RESERVES

The underground diamond drill programme was directed primarily toward outlining known ore zones and to exploring of the breccia below the 1200 level. Underground drilling and mining were successful in locating ore extensions in some areas. After milling 157,787 tons at 1.82% copper during the year, ore reserves were 689,522 tons at 1.67% copper. This does not include any provision for ore from the West Breccia, pending examination of the occurrences from underground.

EXPLORATION

Exploration activities, suspended during the preproduction and early production stages, were resumed during the last quarter of the year. Diamond drilling in the West Breccia pipe, 2,500 feet southeast of the Breton Breccia, was successful in locating two new ore zones at depths of 75 feet and 600 feet below surface. An adit has been driven to develop the upper zone and some ore from this will be milled during July.

Exploratory drilling of the South and East breccias is scheduled during the coming months, in addition to a continuing programme in the West Breccia. Emphasis will also be placed upon surface mapping and prospecting for new breccia pipes similar to those already known.

The original Rouyn property in northwestern Quebec has been maintained in good standing.

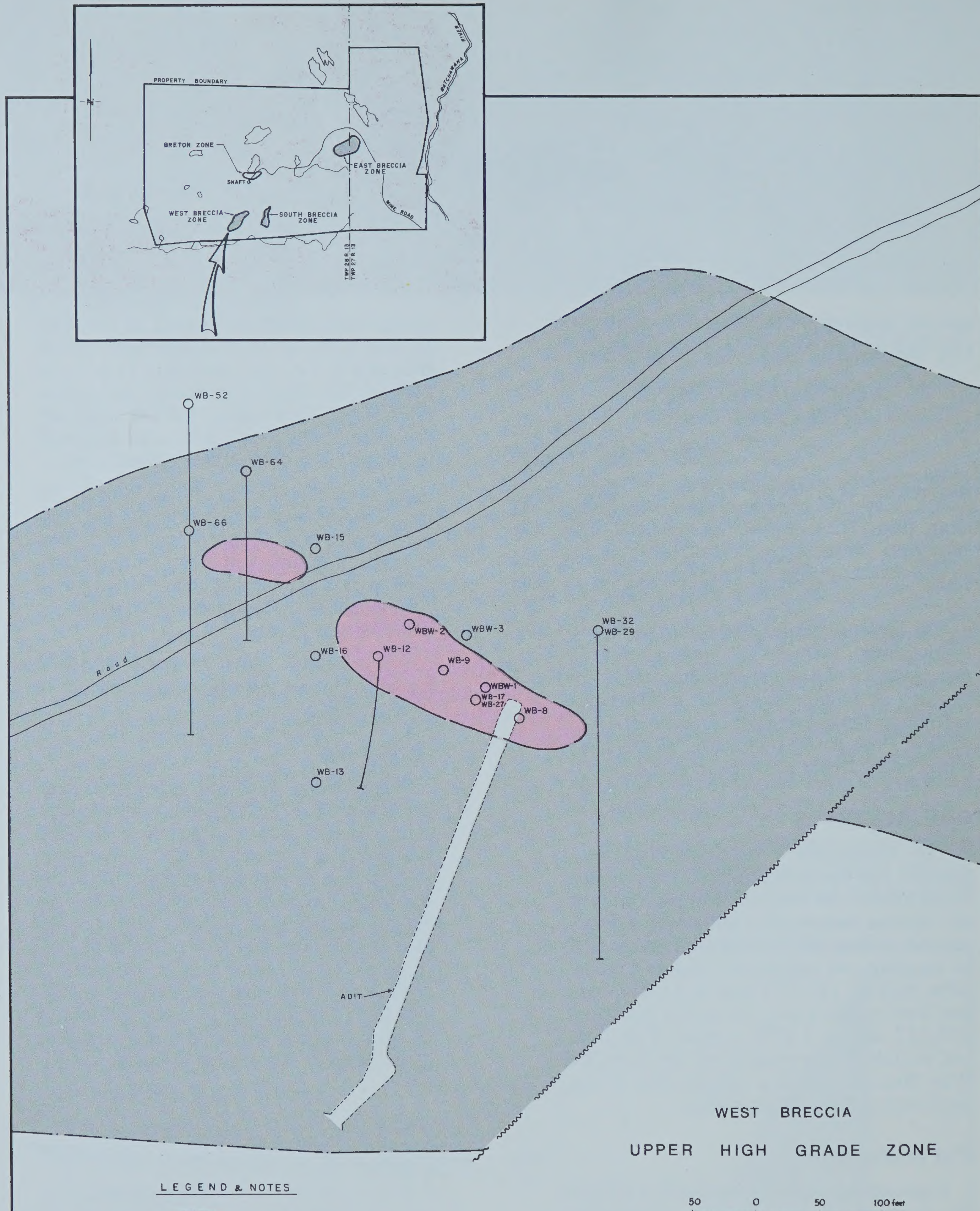
OUTLOOK

Prospects for 1969 are quite good. Copper prices have held firm and smelter settlements are currently running above the 1968 average. The discovery of new orebodies in the first breccia pipe explored outside of the developed Breton pipe since production started illustrates the potential for still further ore on the property. Emphasis will continue to be placed upon exploratory drilling. It is expected that copper production will increase during the second half of the current fiscal year, and that this will be reflected by an increase in earnings.

On behalf of the Board,

N. B. Keevil
President

June 10, 1969



WEST BRECCIA

UPPER HIGH GRADE ZONE

LEGEND & NOTES

- ORE ZONE
- BRECCIA BOUNDARY
- FAULT
- ○ WB – 12 – DRILL HOLES (significant holes only shown)

TRIBAG MINING CO., LIMITED

STATEMENT OF EARNINGS

FOR THE YEAR ENDING DECEMBER 31, 1968

	1968	Eight month period ended December 31, 1967
	$	$
Income		
Value of Production	2,913,389	2,063,453
Less: Smelter, freight and marketing expenses	592,621	393,265
	2,320,768	1,670,188
Operating Expenses		
Mining	778,329	441,356
Milling	212,676	147,229
Development and exploration	145,018	92,489
Outside exploration	3,094	—
General mine expenses	373,348	215,287
Executive office expenses	82,418	65,166
Ontario mining tax	13,730	30,790
	1,608,613	992,317
Mine Operating Profit	712,155	677,871
Other Income		
Dividends	187	170
	712,342	678,041
Other Expenses		
Bank interest	45,106	31,936
Debenture interest	105,000	99,994
	150,106	131,930
Operating Profit Before Depreciation and Amortization	562,236	546,111
Provision for depreciation	237,937	162,927
Provision for amortization of deferred expenditures (note 4)	232,309	146,420
	470,246	309,347
Net Profit for the Period (notes 4 and 6)	91,990	236,764

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Tribag Mining Co., Limited as at December 31, 1968 and the statements of contributed surplus, deficit, earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change as set out in note 4 with which we concur.

Toronto, Ontario
March 28, 1969

McDONALD, CURRIE & CO.
Chartered Accountants

TRIBAG MINING CO., LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1968

ASSETS

	1968	1967
Current Assets	$	$
Cash	2,287	—
Accounts receivable	29,401	22,469
Ore settlements—at estimated net realizable value	863,723	1,133,569
Concentrates on hand—at estimated net realizable value	11,801	8,996
Stores and materials—at cost	60,221	54,124
Prepaid insurance	18,618	18,508
	986,051	1,237,666
Investments—at cost, less amounts written off (quoted market value 1968—$189,696; 1967—$193,916)	188,974	138,974
Fixed Assets—at cost		
Buildings, machinery and equipment	1,727,077	1,629,267
Accumulated depreciation	378,764	140,827
	1,348,313	1,488,440
Mining claims	102,912	602,911
	1,451,225	2,091,351
Other Assets and Deferred Expenditures		
Deferred development, exploration and administrative less amounts written off (note 4)	1,944,365	2,977,209
Bond discount and financing charges	10,880	10,880
Hydro line (note 1)	150,247	155,660
	2,105,492	3,143,749
	4,731,742	6,611,740

LIABILITIES

	1968	1967
Current Liabilities	$	$
Bank overdraft	—	2,977
Bank loan (note 2)	492,200	850,000
Accounts payable and accrued liabilities	320,446	489,320
Provision for mining taxes	17,200	30,790
	829,846	1,373,087
Long-Term Debt		
7% convertible income bonds due on or before August 31, 1972 (note 3)	1,500,000	1,500,000

SHAREHOLDERS' EQUITY

	1968	1967
Capital Stock (note 3)		
Authorized—7,500,000 common shares of $1 par value		
Issued and fully paid—3,827,000 shares	3,827,000	3,827,000
Discount thereon (net)	503,000	503,000
	3,324,000	3,324,000
Contributed Surplus—arising from reduction in capital in 1956	—	583,355
	3,324,000	3,907,355
Deficit	922,104	168,702
	2,401,896	3,738,653
	4,731,742	6,611,740

SIGNED ON BEHALF OF THE BOARD

Director

J. H. Wesley.

Director

TRIBAG MINING CO., LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
	$	$
Source of Funds:		
Net profit for the period	91,990	236,764
Add: Charges not requiring cash outlay—		
Depreciation	237,937	162,927
Amortization	232,309	146,420
	562,236	546,111
Proceeds of issue of 7% convertible income bonds together with common shares	—	600,000
Hydro line recoveries	5,413	3,264
	567,649	1,149,375
Use of Funds		
Additions to fixed assets (net)	97,810	553,701
Deferred development, exploration and administration expenditures	126,802	472,607
Construction of hydro line	—	106,010
Accounts receivable—written off	1,411	9,217
Purchase of investments	50,000	50
	276,023	1,141,585
Increase in Working Capital	291,626	7,790
Working Capital (Deficiency)—Beginning of Period	(135,421)	(143,211)
Working Capital (Deficiency)—End of Period	156,205	(135,421)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
	$	$
Balance Beginning of Year—Deficit	168,702	211,365
Less: Prior year adjustment—amortization (note 4)	184,381	—
Balance—Beginning of Year Restated (Retained Earnings)	(15,679)	211,365
Less: Net Profit for the period	91,990	52,383
	(107,669)	158,982
Add: Write-off of mining claims	—	503
Account receivable written off	1,411	9,217
Deferred development and administrative expenditures written off (note 4)	1,028,362	—
Balance—End of Year	922,104	168,702

STATEMENT OF CONTRIBUTED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1968

	1968	1967
	$	$
Balance—Beginning of Year	583,355	583,355
Less: Mining claims at the inception of Tribag Mining Co., Limited written down in nominal value	499,999	—
Deferred development and administrative expenditures written off (note 4)	83,356	—
	583,355	—
Balance—End of Year	—	583,355

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1968

1. HYDRO LINE

The cost of the hydro line is recoverable from the Great Lakes Power Company Limited at the rate of 10% of the annual hydro bill.

2. BANK LOAN

The bank loan is secured by a general assignment of accounts receivable, ore settlements receivable and a specific and floating first charge on all of the company's property and assets.

3. LONG-TERM DEBT

The company entered into an agreement with Teck Corporation Limited, dated August 17, 1966, to provide financing to the extent of $1,750,000 to bring the Batchawana copper property into production in consideration for

	$
(a) 200,000 treasury shares at $1.25 per share	250,000
(b) a total of $1,500,000 principal amount of 7% convertible income bonds due August 31, 1972 (convertible at $1.25 per share) and 375,000 treasury shares to be issued in units consisting of one bond of the principal amount of $1,000 and 250 shares at the price of $1,000 per unit	1,500,000
	1,750,000

4. AMORTIZATION

In 1967 the company provided for amortization on development costs at the rate of 15% per annum. During 1968 deferred expenditures relating to non-producing properties were written off to deficit and contributed surplus.

In addition the amortization rate applied in 1968 to the deferred cost relating to the producing properties was established at 10%. Retroactive effect to this change in policy has been given by a credit to deficit of $184,381 being an adjustment of the 1967 amortization to the rate established in 1968. The 1967 comparative figures presented in the statement of earnings have been adjusted to give effect to the 1968 rate.

5. SENIOR OFFICERS' REMUNERATION

Remuneration paid to five employees, designated "senior officers" by the Corporations Act, and to the President, was $68,094.56. The only director or executive officer to receive any fees or salaries was the President.

6. INCOME TAXES

No provision has been made for corporation income taxes as the company has been granted a three year tax exemption under Section 83(5) of the Income Tax Act commencing on July 1, 1967.

KEEVIL MINING GROUP

TRIBAG MINING CO. LIMITED

First Quarter Results

For three months ended March 31, 1968

Tons milled	38,515
Tons daily	423
Tons concentrate	2,192
Recoveries:	
Copper (pounds)	1,393,682
Silver (ounces)	12,269

Statement of Earnings

For three months ended March 31, 1968

Value of production	$ 728,395
Less: Smelter, freight and marketing expenses	146,157
	582,238
Operating Expenses:	
Mining	190,745
Milling	52,748
Development and exploration	43,909
General mine expenses	84,405
Executive office expenses	15,835
Ontario mining tax	7,299
	394,941
Mine operating profit	187,297
Other Expenses:	
Outside exploration	799
Bank interest	12,298
Contingent provision for bond interest	26,106
	39,203
Net cash earnings, before depreciation and amortization	148,094
Provision for depreciation	56,554
Provision for amortization of deferred expenditures	124,291
	180,845
Net earnings (loss)	$ (32,751)

N.B.—The above statement is unaudited, contains estimates and is subject to final smelter settlements. As a new operation no comparative figures are available.

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TRIBAG MINING CO. LIMITED

PRESIDENT'S REMARKS

Annual Meeting of Shareholders
Toronto, Ontario
June 18, 1968

Executive Offices
Suite 4900
Toronto-Dominion Centre
Toronto, Ontario

Remarks to Shareholders:

At our annual meeting today we will review the results of the first year in which production was achieved at the Batchawana copper property, and then outline our problems, our objectives and the potential for the future years.

As the annual report has been distributed to shareholders it is not necessary to repeat operating and financial results already given. In brief, we established in the first eight months of production that the plant could operate efficiently, and that a satisfactory rate of cash earnings could be anticipated at prevailing copper prices. During the year plant construction was completed, and the financial position was improved by earnings generated.

At this time a brief review of the company's position in July 1966, when the present management assumed direction and agreed to arrange financing for the Tribag operation, would be in order. The Batchawana property had been actively explored and developed by a shaft to 1,250 feet with lateral development on six levels. There had been numerous high-grade intersections, and proven ore reserves in the Breton Breccia were estimated at 600,000 tons grading 2.2% copper. Added potential was offered by indications in the West and East Breccias, but no commercial tonnage had been developed. The company was in debt by approximately $250,000, and an option to place the deposit into production by a major mining company had been dropped.

Following an examination, Teck Corporation offered to arrange the financing and direction, and to provide the personnel to bring the mine into production under terms agreed to and accepted by Tribag. A definite programme and schedule was laid out and, while there were some changes and improvements made as time went on, and costs — as is the general rule in our current inflationary economy — were higher than original estimates, a satisfactory end result was achieved and Tribag is now a producer rather than a prospect.

In the past ten years, the Keevil Mining Group has operated five producing mining properties, two of which were new mines that have built up strong earnings positions and now pay dividends to their shareholders. Accordingly, we are familiar with the many trials and problems of a new mine, and the time and work required to overcome them and establish the most economic method of operation to recover the greatest net earnings for the company.

Tribag is no exception to the rule as far as technical problems and cost escalation are concerned. Until an orebody has been developed and mined for a period of time its particular characteristics are not fully understood, so that it takes time to determine the most economical grade for maximum profit. At Tribag the ore has been found to be flatter lying than indicated by preliminary work which has presented some problems and has increased costs. At present it appears more economic to mine wider zones of lower grade ore than to take only the higher grade sections but this conclusion is still being carefully studied and may be modified.

As a result of including the lower-grade lower-cost blast hole stopes, total reserves at the year-end were increased but with a lower average grade. There was little change in net pounds of copper shown in reserves, but this is not surprising inasmuch as attention has been concentrated upon production and not upon exploration.

It is the company's intention to issue quarterly reports, and the results for the first quarter are included with these remarks. While copper production was maintained at a slightly higher level than the average for the preceding year, copper prices received were substantially lower (estimated at 50¢ per pound compared with 56¢ per pound in 1967), resulting in a decrease in production value and net earnings. Mine operating profit for the three months ended March 31, 1968 was $187,297 and after provision for bank and bond interest net cash earnings were $148,094. After providing for write-offs for depreciation and amortization of deferred expenditures, net earnings showed a loss of $32,751. Financial position was improved during the period with working capital increased by $147,000. The bank loan was reduced by $197,000 to $653,000 at March 31, 1968.

Our objectives in the current year may be summarized as follows. First, continued efforts will be made to reduce costs, increase copper output and realize the best rate of cash earnings that can be achieved for the long-term benefit of the company. Earnings generated will be used first to retire the bank loan and place the company in a sound financial position. After this, funds can be used to step up exploration in the mine area and other parts of the property that offer important ore potential, such as the East and West Breccias, while building up a reserve against bond retirement. All of this requires time, money and effort. Final operating results will be influenced to a major degree by the price received for copper.

Your directors are encouraged by the results achieved to date and are optimistic as to the potential future for Tribag. Every effort is being made to develop this mine to its fullest in an orderly fashion for the benefit of all shareholders.

On behalf of the Board,

N. B. KEEVIL
President

18 June 1968

TRIBAG MINING CO., LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the Six Months Ended June 30, 1968

SOURCE OF FUNDS:	
Net Earnings for the Period	$ 44,654
Add: Non-cash Charges	
Depreciation	114,345
Amortization	205,783
	364,782
Hydro Line Recoveries	2,640
	367,422
USE OF FUNDS:	
Additions to Buildings, Machinery & Equipment	36,119
Deferred Development	25,769
	61,888
Increase in Working Capital	305,534
Working Capital beginning of Year	(135,421)
Working Capital June 30, 1968	$ 170,113

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TRIBAG MINING CO., LIMITED

KEEVIL MINING GROUP

HALF YEARLY REPORT

6 MONTHS ENDED JUNE 30, 1968

Executive Offices
Suite 4900
Toronto-Dominion Centre
Toronto, Ontario

TRIBAG MINING CO., LIMITED

To the Shareholders:

Operations for the second quarter of 1968 showed good progress with tons milled, pounds of copper produced and net earnings all recording new highs.

For the 3 months ended June 30, 1968 copper production was up 16% over the previous quarter at 1,617,221 lbs. Value of production was $832,617 bringing total for the six month period to $1,561,012. After all operating expenses and marketing charges mine operating profit for the quarter was $254,453 up 36% over the previous three months for a total of $441,750 for the half year.

After provision for bank and bond interest net cash earnings, before writeoffs, for the second quarter were $216,688 (up 46%) and $364,782 for the half year. Net earnings after provision for depreciation and amortization of deferred expenditures were $77,405 for the second quarter compared with a loss of $32,751 in the first quarter and a total for the six months of $44,654.

In the six month period working capital improved by $305,534 to $170,113. Full details are given in the Six Months Earnings Report and Statement of Source and Use of Funds.

Diamond drilling is being conducted through-out the mine to delineate and to extend known ore zones. Considerable lateral diamond drilling has been completed on the 1200 level which is the deepest level in the mine.

A programme of deep drilling into the favourable area below the 1200 level is scheduled to begin early in August. Current plans call for the drilling of several 1200 foot vertical holes, and this programme will be reviewed and modified as information becomes available.

Improvement in the second quarter results is most encouraging and good operating earnings are anticipated for the balance of the year based on copper prices remaining around present levels.

On behalf of the Board,

N. B. KEEVIL
President.

August 7, 1968.

TRIBAG MINING CO., LIMITED

COMPARISON — 1st to 2nd QUARTER RESULTS — 1968

	3 Months March 31	3 Months June 30	6 Months Total
Tons Milled	38,515	43,295	81,810
Tons Daily	423	475	450
Tons Concentrate	2,192	2,571	4,763
Copper — lbs.	1,393,682	1,617,221	3,010,903
Silver — ozs.	12,269	13,552	25,821

STATEMENT OF EARNINGS
For 6 Months Ended June 30, 1968

	3 Months March 31	3 Months June 30	6 Months Total
Value of Production	$ 728,395	$ 832,617	$1,561,012
Less: Smelter, Freight, Marketing	146,157	172,031	318,188
	582,238	660,586	1,242,824
OPERATING EXPENSES:			
Mining	190,745	187,891	378,636
Milling	52,748	52,267	105,015
Development and Exploration	43,909	43,304	87,213
General Mine Expenses	84,405	91,560	175,965
Head Office expenses	15,835	22,283	38,118
Ontario Mining Tax	7,299	8,828	16,127
	394,941	406,133	801,074
Mine Operating Profit	187,297	254,453	441,750
OTHER EXPENSES:			
Outside Exploration	799	333	1,132
Bank Interest	12,298	11,182	23,480
Contingent Provision for Bond Interest	26,106	26,250	52,356
	39,203	37,765	76,968
Net Cash Earnings, before Depreciation and Amortization	148,094	216,688	364,782
Provision for Depreciation	56,554	57,791	114,345
Provision for Amortization of Deferred Expenditures	124,291	81,492	205,783
	180,845	139,283	320,128
NET EARNINGS (LOSS)	$ (32,751)	$ 77,405	$ 44,654

N.B. — The above statement is unaudited, contains estimates and is subject to final smelter settlements. As Production started in May 1967, no comparative figures are available for the prior year.